

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-QSB**

X Quarterly report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the period ended June 30, 2002.

\_\_\_\_ Transition report under section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

**AGRONIX, INC.**

(Exact name of registrant as specified in its charter)

Florida	0-15893	13-4025362
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification Number)

1666 West 75 <sup>th</sup> Avenue Vancouver, B.C., Canada	V6P 6G2
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (604) 714-1606

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes. X No...

Applicable only to issuers involved in bankruptcy proceedings during the past five years.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ..... No .....

Applicable only to corporate issuers

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At June 30, 2002, there were 19,926,181 shares outstanding.

Transitional Small Business Disclosure Format (Check one): Yes ..... No ..X..

PART 1 - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS AND EXHIBITS

**AGRONIX, INC.**

**(A Development Stage Company)**

**JUNE 30, 2002**

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**AGRONIX, INC.****(A Development Stage Company)****CONSOLIDATED BALANCE SHEETS**

(Expressed in U.S. Dollars)

**ASSETS**

	<b>June 30 2002 (Unaudited)</b>	<b>December 31 2001</b>
<b>CURRENT</b>		
Cash	\$68,714	\$100,610
Receivables	4,180	1,071
Prepaid expenses and deposits	<u>25,913</u>	<u>4,087</u>
	98,807	105,768
	16,227	9,998
<b>FIXED ASSETS</b> (Note 3)		
<b>INVESTMENT IN AND ADVANCES TO 3884171 CANADA INC.</b> (Note 4)	<u>146,447</u>	<u>143,017</u>
	<u>\$261,481</u>	<u>\$258,783</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued liabilities	\$101,140	\$28,786
Due to related parties (Note 5)	<u>72,870</u>	<u>69,870</u>
	<u>174,010</u>	<u>98,656</u>

**STOCKHOLDERS' EQUITY****CAPITAL STOCK** (Note 6)**Authorized:**

50,000,000 common shares with a par value of \$0.001 per share

10,000,000 preferred shares with a par value of \$0.001 per share

**Issued and outstanding:**

19,926,181 (2001: 19,328,074 after giving effect to 2:1

stock split) common shares

Additional paid in capital

**DEFICIT ACCUMULATED DURING THE  
DEVELOPMENT STAGE**

	10,205	9,664
	<u>2,398,360</u>	<u>1,836,286</u>
	2,408,565	1,845,950
	<u>(2,321,094)</u>	<u>(1,685,823)</u>
	<u>87,471</u>	<u>160,127</u>
	<u>\$261,481</u>	<u>\$258,783</u>

Continuance of operations (Note 1)

Commitments (Note 8)

See accompanying notes to the interim consolidated financial statements.

# AGRONIX, INC.

(A Development Stage Company)

## INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

(Expressed in U.S. Dollars)

(Unaudited)

	Cumulative From Inception (Jan 20, 2000) to June 30 2002	For the Six Months Ended June 30 2002	For the Six Months Ended June 30 2001	For the Three Months Ended June 30 2002	For the Three Months Ended June 30 2001
<b>INTEREST INCOME</b>	<u>\$2,628</u>	<u>\$202</u>	<u>\$901</u>	<u>\$158</u>	<u>\$149</u>
<b>EXPENSES</b>					
Stock based compensation	677,900	200,900	117,250	61,150	40,500
Consulting fees	802,489	290,675	97,962	173,434	47,714
Depreciation	2,325	1,114	377	563	242
Office and general	78,723	24,474	19,023	18,043	11,209
Professional fees	152,319	41,075	29,844	9,482	(1,166)
Rent	28,718	8,287	7,137	4,838	3,464
Research and development	439,923	51,240	-	29,428	-
Shareholder communications	10,361	3,002	1,127	1,447	283
Travel and promotion	<u>130,964</u>	<u>14,706</u>	<u>29,001</u>	<u>10,307</u>	<u>21,082</u>
	<u>2,323,722</u>	<u>635,473</u>	<u>301,721</u>	<u>308,693</u>	<u>123,328</u>
<b>NET LOSS</b> before the following	(2,321,094)	(635,271)	(300,820)	(308,535)	(123,179)
Equity loss in 3884171 Canada Inc.	=	=	<u>(20,000)</u>	=	<u>(20,000)</u>
<b>NET LOSS FOR THE PERIOD</b>	<u><b>\$(2,321,094)</b></u>	<u><b>\$(635,271)</b></u>	<u><b>\$(320,820)</b></u>	<u><b>\$(308,535)</b></u>	<u><b>\$(143,179)</b></u>
Weighted average common shares outstanding		<u>19,571,335</u>	<u>15,317,382</u>	<u>19,675,457</u>	<u>17,182,512</u>
Basic and diluted loss per share		<u><b>\$(0.03)</b></u>	<u><b>\$(0.02)</b></u>	<u><b>\$(0.02)</b></u>	<u><b>\$(0.01)</b></u>

See accompanying notes to the interim consolidated financial statements.

# AGRONIX, INC.

(A Development Stage Company)

## INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in U.S. Dollars)

(Unaudited)

	Cumulative From Inception (January 20, 2000) to June 30 2002	For the Six Months Ended June 30 2002	For the Six Months Ended June 30 2001
<b>Cash derived from (applied to):</b>			
<b>OPERATING ACTIVITIES</b>			
Net Loss	\$(2,321,094)	\$(635,271)	\$(320,820)
Depreciation	2,325	1,114	377
Research and development expenses paid through issuance of common shares (Note 7)	383,856	-	-
Stock based compensation	677,900	200,900	117,250
Equity loss in 3884171 Canada Inc.	-	-	20,000
Rent paid through issuance of common shares	18,885	8,776	2,550
Consulting and legal fees paid though the issuance of common shares	289,865	240,650	-
Non-cash office and general expenses	3,000	3,000	-
Change in non-cash working capital			
Receivables	(4,180)	(3,109)	369
Prepaid expense and deposits	(25,913)	(21,826)	-
Payables and accruals	<u>88,038</u>	<u>72,354</u>	<u>9,010</u>
	<u>(887,318)</u>	<u>(133,412)</u>	<u>(171,264)</u>
<b>FINANCING ACTIVITIES</b>			
Advances under a credit facility with a company with director in common, net of repayments	69,870	-	66,070
Advances from (to) shareholder	(14,267)	-	702
Shares issued or subscribed for cash	1,065,428	112,289	111,346
Shares subscribed	=	=	<u>40,317</u>
	<u>1,121,031</u>	<u>112,289</u>	<u>218,435</u>
<b>INVESTING ACTIVITIES</b>			
Acquisition of fixed assets	(18,552)	(7,343)	(1,383)
Investment in and advances to 3884171 Canada Inc.	<u>(146,447)</u>	<u>(3,430)</u>	<u>(95,015)</u>
	<u>(164,999)</u>	<u>(10,773)</u>	<u>(96,398)</u>
Increase (decrease) in cash	68,714	(31,896)	(49,227)
<b>Cash, beginning of period</b>	=	<u>100,610</u>	<u>95,040</u>
<b>Cash, end of period</b>	<u><u>\$68,714</u></u>	<u><u>\$68,714</u></u>	<u><u>\$45,813</u></u>

**Non-cash financing transactions not included in cash flows:**

Shares issued for research and development	<u>\$383,856</u>	<u>\$-</u>	<u>\$-</u>
Stock based compensation	<u>\$677,900</u>	<u>\$200,900</u>	<u>\$117,250</u>
Shares issued for rent	<u>\$18,885</u>	<u>\$8,776</u>	<u>\$2,550</u>
Shares issued for consulting and legal services	<u>\$289,864</u>	<u>\$240,650</u>	<u>\$-</u>

See accompanying notes to the interim consolidated financial statements.

# **AGRONIX, INC.**

(A Development Stage Company)

## **NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

(Unaudited)

**JUNE 30, 2002**

### **1. OPERATIONS AND GOING CONCERN**

The company was incorporated under the laws of Florida, U.S.A. on May 6, 1996 as RCA Trading Co. The company changed its name to Agronix, Inc. on June 18, 2001.

Pursuant to a share exchange agreement entered into on October 16, 2000 and closed on March 26, 2001, between the shareholders of the Agronix and shareholders of a private Company, American Waste Recovery, Inc. ("AWR"), the Company purchased all of the outstanding shares of AWR. AWR was incorporated under the laws of Nevada, U.S.A. on January 20, 2000 as American Bio Recovery, Inc.; on January 26, 2000, its name was changed to American Waste Recovery, Inc. The consideration for this acquisition was the issuance by the company of 6,622,250 common shares.

As a result of this transaction, AWR has become a wholly-owned subsidiary of Agronix and the former shareholders of AWR in turn became owners of the majority of the issued and outstanding shares of Agronix. Since the former shareholders of AWR have acquired control of Agronix through this transaction, it is considered a reverse acquisition and these financial statements are presented from the perspective of AWR (the accounting parent in this transaction). These financial statements present the consolidated results of operations from AWR's date of incorporation (January 20, 2000) to June 30, 2002 including the results of operations of Agronix since March 26, 2001.

Agronix has focused its activities on the development of its acquired technologies for commercial use, for identifying prime international locations to build commercial plants, and forming strategic alliances for the implementation of its global business plan. No significant revenues have been realized and planned principal operations have not yet commenced. Agronix is engaged in the acquisition and development of technologies that convert organic residues into agricultural products such as growth substrates, organic fertilizers, soil amendments and chemical commodities for agriculture and industry use.

These financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's continued existence is dependent upon its ability to raise additional capital and to ultimately achieve profitable operations. It is management's intention to pursue market acceptance for its product and identify funding sources until such time that there is sufficient operating cash flow to fund operating



requirements.

If the going concern assumptions were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities, the reported expenses and the balance sheet classifications used.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **UNAUDITED INTERIM FINANCIAL STATEMENTS**

These accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and conforms with instructions to Form 10-QSB of Regulation S-B. They may not include all information and footnotes required by generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended December 31, 2001 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the six months ended June 30, 2002 are not necessarily indicative of the results that may be expected for the year ending December 31, 2002.

### **CONSOLIDATION**

These consolidated financial statements are presented in U.S. dollars in accordance with accounting principles generally accepted in the United States of America and include the accounts of the company and its wholly-owned subsidiary, AWR.

### **ACCOUNTING FOR STOCK OPTIONS**

In October 1995, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123, Accounting for Stock-Based Compensation ("SFAS"), which requires entities to calculate the fair value of stock awards granted to employees. This statement provides entities with the option of electing either to expense the fair value of employee stock-based compensation or to continue to recognize compensation expense under previously existing accounting pronouncements set out in APB 25 and to provide pro-forma disclosures of net earnings (loss) and, if presented, earnings (loss) per share, as if the above-referenced fair value method of accounting was used in determining compensation expense.

The company has elected to account for stock-based employee or director compensation arrangements in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to

Employees ("APB No. 25").

Stock options issued to non-employees are recorded at the fair value of the services received or at the fair value of the options issued, whichever is more reliably measurable. Compensation is charged to expense over the shorter of the term of service or the vesting period.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options and warrants which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility.

The Company has also adopted the provisions of the Financial Accounting Standards Board Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation - An Interpretation of APB Opinion No. 25 ("FIN 44"), which provides guidance as to certain applications of APB 25. FIN 44 is generally effective July 1, 2000 with the exception of certain events occurring after December 15, 1998.

## **FIXED ASSETS**

Capital assets are recorded at cost less accumulated depreciation. Depreciation is recorded on the straight-line method at the following rates:

Office equipment	20 %	straight line
Computer equipment	30 %	straight line
Computer software	50 %	straight line

## **INVESTMENTS**

The company uses the equity method to account for investments in companies such as 3884171 Canada Inc. and other business ventures over which it exercises significant influence.

## **TECHNOLOGY**

The company capitalizes the acquisition costs of technologies when their technological feasibility has been established; otherwise such costs are charged to operations.

## **RESEARCH AND DEVELOPMENT**

The Company records all research and development costs in accordance with SFAS 2 "Accounting for Research and Development Costs". As such, all research and development costs are expensed as they

are incurred, until such time as the research and development outcome is proven for commercial use, at which time the costs are capitalized and amortized.

## **LONG-LIVED ASSETS**

The company monitors the recoverability of long-lived assets, including capital assets and its investments in and advances to 3884171 Canada Inc., based on estimates using factors such as current market value, future asset utilization, and future undiscounted cash flows expected to result from the use of the related assets. The company's policy is to record any impairment loss in the period when it is determined that the carrying amount of the asset may not be recoverable. Any impairment loss is calculated as the excess of the asset's carrying value over its estimated realizable value.

## **LOSS PER SHARE**

The company follows SFAS No. 128 to calculate earnings per share. Basic loss per share is computed using the weighed effect of all common shares issued and outstanding. Fully diluted earnings per share has not been presented as the effect on basic earnings per share is anti-dilutive.

Prior period loss per share have been restated to reflect the two-for-one stock split which occurred on January 9, 2002.

## **USE OF ESTIMATES**

In preparing financial statements in conformity with accounting principles accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the dates of the financial statements for the reporting period. Actual results may differ from those estimates.

## **FOREIGN CURRENCY TRANSLATION**

The financial statements are presented in United States dollars. In accordance with Statement of Financial Accounting Standards No. 52, "Foreign Currency Translation", foreign denominated monetary assets and liabilities are translated to their United States dollar equivalents using foreign exchange rates which prevailed at the balance sheet date. Revenue and expenses are translated at average rates of exchange during the period. Related translation adjustments are reported as a separate component of stockholders' equity, whereas gains or losses resulting from foreign currency transactions are included in results of operations.

## **RECENT ACCOUNTING PRONOUNCEMENTS**

### **SFAS 141 & 142**

On July 20, 2001, the FASB issued SFAS 141, Business Combinations, and SFAS 142, Goodwill and Intangible Assets. SFAS 142 is effective for fiscal years beginning after December 15, 2001; however, certain provisions of this statement apply to goodwill and other intangible assets acquired between July 1, 2001 and the effective date of SFAS 142. Major provisions of these statements and their effective dates for the company are as follows:

a) all business combinations initiated after June 30, 2001 must use the purchase method of accounting. The pooling of interest method of accounting is prohibited except for transactions initiated before July 1, 2001.

b) intangible assets acquired in a business combination must be recorded separately from goodwill if they arise from contractual or other legal rights or are separable from the acquired entity and can be sold, transferred, licensed, rented or exchanged, either individually or as part of a related contract, asset or liability.

c) effective January 1, 2002, goodwill and intangible assets with indefinite lives will be tested for impairment annually and whenever there is an impairment indicator.

d) all acquired goodwill must be assigned to reporting units for purposes of impairment testing and segment reporting.

### **SFAS 143 & 144**

In July, 2001, the FASB issued SFAS No. 143, Accounting for Asset Retirement Obligations. This statement addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement applies to all entities. It applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and (or) the normal operation of a long-lived asset, except for certain obligations of lessees. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

In August 2001, the FASB issued SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets and supersedes FASB Statement No. 121, Accounting for the Impairment

of Long-Lived Assets to be Disposed Of. The provisions of the statement are effective for financial statements issued for fiscal years beginning after December 15, 2001.

### 3. FIXED ASSETS

			Net June 30 2002	Net December 31 2001
	Cost	Accumulated Amortization		
Office equipment	\$1,831	\$611	\$1,220	\$1,039
Computer equipment	4,219	1,522	2,697	1,776
Computer software	367	192	175	67
Option to purchase land	<u>12,135</u>	=	<u>12,135</u>	<u>7,116</u>
	<u>\$18,552</u>	<u>\$2,325</u>	<u>\$16,227</u>	<u>\$9,998</u>

### 4. INVESTMENT IN AND ADVANCES TO 3884171 CANADA INC.

Pursuant to an agreement dated March 26, 2001 entered into by the Company and Bio-Max Inc. ("Bio-Max") (a Quebec City, Canada based developer of organic waste processing plants), a subsidiary (3884171 Canada Inc. ("Newco")) was created in which the Company owns 20% of the issued and outstanding common shares and Bio-Max owns 80% of the issued and outstanding common shares. Newco has been established to further the development and commercialization of Bio-Max's "Robo II" technology into Agronix/Bio-Max "Robo III" technology [Agronix Bio-Conversion Reactor System (BCR)] using Agronix intellectual property rights and proprietary bio-conversion formulae.

Under the terms of the agreement:

(a) Bio-Max contributed \$80 Cdn and the Robo II technology as its capital contribution for an 80% interest in Newco. The Company contributed \$20 Cdn and its technical process improvements, its intellectual property rights and proprietary bio-conversion formulae as its capital contribution for a 20% interest in Newco with a option to purchase a further 30% of Newco for \$1,500,000 CAD. Should the Company exercise this option, it would be a 50/50 partner with Bio-Max in Newco.

(b) The Company and Bio-Max have given each other a right of first refusal to match any offer to purchase any shares of Newco owned by each of them.

(c) Agronix has the world licensing rights for Robo III from Newco with the exception of the Francophone countries.

(d) Agronix has advanced \$224,000 CAD to Newco which has completed Robo III engineering and the Bio-Conversion Reactor System (BCR) to be constructed for commercial plant operations throughout the world.

The company's investment in and advances to Newco have been accounted for as follows:

	<b>June 30 2002</b>	<b>December 31 2001</b>
Investment in shares	\$13	\$13
Advances, non-interest bearing, no stated terms of repayment	<u>146,434</u>	<u>143,004</u>
	<u>\$146,447</u>	<u>\$143,017</u>

## **5. DUE TO RELATED PARTIES**

	<b>June 30 2002</b>	<b>December 31 2001</b>
Revolving credit facility with a shareholder, unsecured, non-interest bearing, principal due on December 31, 2002	\$7,000	\$7,000
Demand loan from a company controlled by a shareholder - unsecured, principal in the amount of \$100,000 Cdn; 12% annum simple interest; interest payable monthly; repayable on demand or on December 31, 2002	<u>65,870</u>	<u>62,870</u>
	<u>\$72,870</u>	<u>\$69,870</u>

Included in accounts payable is \$9,230 (2001 - \$5,130) of interest accrued in connection with the demand loan.

## **6. CAPITAL STOCK**

On June 11, 2001 the Company amended its Articles of Incorporation to change the authorized number of shares from 20,000,000 common shares to 25,000,000 and the authorized number of preferred shares from 5,000,000 to 10,000,000.

On January 9, 2002, the company amended its outstanding number of common shares to reflect a two-for-one split. As a result, the 9,720,997 issued and outstanding shares as of that date changed to a total of 19,441,994 issued and outstanding shares. In addition, the company amended its Articles of Incorporation to change the authorized number of shares from 25,000,000 to 50,000,000 common shares. The Company has retroactively reflected this two-for-one split in these financial statements.

## STOCK OPTIONS

The following table summarizes information about outstanding and exercisable share options at June 30, 2002:

Options Outstanding					Options Exercisable	
<u>Number Outstanding</u>	<u>Grant Date</u>	<u>Exercise Price Per Share</u>	<u>Average Remaining Contractual Life (In Years)</u>	<u>Weighted Average Exercise Price Per Share</u>	<u>Number Exercisable</u>	<u>Weighted Average Exercise Price Per Share</u>
840,000	01/27/00	\$0.25	4.33	\$0.25	840,000	\$0.25
400,000	01/28/00	0.25	4.33	0.25	400,000	0.25
300,000	02/17/00	0.25	4.39	0.25	300,000	0.25
500,000	08/04/00	0.25	4.85	0.25	500,000	0.25
150,000	10/30/00	0.34	5.08	0.34	150,000	0.34
400,000	01/17/01	0.50	4.30	0.50	400,000	0.50
80,000	07/03/01	0.50	5.76	0.50	80,000	0.50
1,000,000	07/09/01	0.25	4.78	0.25	1,000,000	0.25
<u>200,000</u>	02/22/02	0.50	0.91	<u>0.50</u>	<u>200,000</u>	<u>0.50</u>
<u>3,870,000</u>				<u>\$0.32</u>	<u>3,870,000</u>	<u>\$0.32</u>

Summary of share option activity and information concerning options at June 30, 2002:

	Six Months Ended June 30, 2002	Year Ended December 31, 2001
Balance, beginning of period	3,670,000	2,340,000
Granted	200,000	1,530,000
Cancelled	=	<u>(200,000)</u>
Balance, end of period	<u>3,870,000</u>	<u>3,670,000</u>

The company accounts for the options issued to directors and employees in accordance with the provisions of APB Opinion No. 25, Accounting for Stock Options Issued to Employees. Had compensation cost for the stock option plan been determined based on the fair value at the grant date consistent with the method of SFAS No. 123, Accounting for Stock-Based Compensation, the company's net loss and net loss per share would have been the pro forma amounts indicated below:

	Six Months Ended June 30, 2002	Six Months Ended June 30, 2001
<b>Net loss:</b>		
Actual net loss	\$(635,271)	\$(320,820)
Proforma net loss	\$(635,271)	\$(386,070)
<b>Loss per share:</b>		
Actual net loss per share	\$(0.03)	\$(0.02)
Proforma net loss per share	\$(0.03)	\$(0.02)
Weighted average shares outstanding	19,571,335	15,317,382

The fair value of each option grant was estimated at the grant date using the Black-Scholes option-pricing model for the period from inception to June 30, 2002, assuming a risk-free interest rate of 2.10% (2001: 4.85%), volatility of 67.6% (2001: 0%), zero dividend yield (2001: zero), and an expected life of six years.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options and warrants which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the company's employee stock options and warrants have characteristics significantly different from traded options, and because changes in the subjective input assumptions can materially affect the fair value estimates, in management's opinion, the existing models do not necessarily provide a reliable measure of the fair value of its employee stock options.

On March 1, 2002 the Company approved a stock option plan whereby 3 million shares will be available to compensate some of the company's key contributing consultants and allow the company to retain and hire qualified personnel.

## PERFORMANCE SHARES

On January 27, 2000, 1,000,000 post-split performance shares were issued into escrow for the company's President and C.E.O. For each \$0.25 of cumulative cash flow generated by the company from its operations, two performance shares will be released from escrow. All shares remain in escrow at June 30, 2002 and are not included in common shares issued and outstanding.

## 7. RESEARCH AND DEVELOPMENT

During 2000, AWR acquired certain soil and organic matter expertise and intellectual property from an



unrelated organic residue consultant based in Ottawa, Canada. The consideration for this acquisition was 300,000 post-split AWR common shares issued at an estimate of their fair value of \$0.50 per share. This research and development acquired has yet to be proven commercially and its cost of acquisition was expensed.

During 2001, 220,000 post-split Agronix shares were issued at an estimate of their fair value of \$0.50 Cdn per share to three separate parties with soil science and engineering expertise. The shares were consideration for engineering activity which was required to advance the design of the BCIR system to the point that it meets specific functional, manufacturing and economic requirements.

A further 500,000 post-split shares were issued during 2001 at an estimate of their fair value of \$0.50 Cdn per share to three separate parties with soil science and engineering expertise. The shares were consideration for routine, on-going efforts to refine, enrich, and otherwise improve upon the qualities of the existing BCR system, and the engineering follow-through to commercial production.

The company has incurred research and development expenses as follows:

	<b>Cumulative From Inception (January 20, 2000) to June 30 2002</b>	<b>For the Six Month Period Ended June 30 2002</b>	<b>For the Six Month Period Ended June 30 2001</b>
Acquisition of organic matter expertise and intellectual property	\$150,000	\$-	\$-
Technical development of BCR System	218,467	51,240	-
Technical development of BCIR System	<u>71,456</u>	<u>=</u>	<u>=</u>
	<u>\$439,923</u>	<u>\$51,240</u>	<u>\$-</u>

## **8. COMMITMENTS**

### **Collaborative Research and Development Agreement**

The Company has consolidated its research and development activities at Carleton University in Ottawa, Canada where it has committed to fund research being carried out by Carleton University for a period of five years ending April 30, 2005. The company will own any new technologies and/or intellectual property arising out of these research and development activities. Upon execution of a formal agreement, the company will contribute approximately \$90,000 per year in cash for five years and \$1,725,000 in kind to further research and development in this area. To date the Company has incurred \$75,980 Cdn for research and development and \$4,175 Cdn of accrued interest. No expenditures have yet been made under this agreement.

## **Licensing Agreement**

The Company has entered into a licensing agreement with a private U.K. registered Company whereby the Company has committed to provide exclusive rights to introduce the Company's technology throughout Europe. Under the agreement the Company has received a convertible loan note, the principal amount of \$8,000,000 with an agreed value of GBP 5,673,759; non-interest bearing and convertible into 2,466,852 shares of non-diluted common shares of the licensee.

The Company has provided a full impairment provision for the \$8,000,000 note due to the uncertainty of collection.

## **Consulting Agreements**

The Company has entered into certain consulting agreements whereby the Company has committed to issue 10,500 shares per month to consultants for each month of service provided subject to monthly renewals. In addition the Company has committed to issued an additional 20,000 shares in exchange for consulting services to December 31, 2002.

The Company has entered into a premises lease whereby the Company has committed to issue 2,300 shares per month in exchange for rental payments.

## **Option to purchase land**

The Company has acquired an option to purchase a 73 acre parcel of land in the Fraser Valley region of British Columbia, Canada, on which it intends to construct its initial pilot plant in Western Canada. Under the agreement, the Company has agreed to pay \$2,000 Cdn. per month to extend the land purchase option to September 30, 2002. The Company is currently negotiating amendments to certain terms of the agreement and accordingly there have not been any payments made since April 2002. The agreed purchase price of the land is \$1,800,000 Cdn. The Company is required to make a payment of \$100,000 Cdn. to secure the purchase agreement.

## **9. INCOME TAXES**

At June 30, 2002, the company has net operating losses carried forward of approximately \$1,600,000 that may be offset against future taxable income to 2020. No future tax benefit has been recorded in the financial statements, as the company believes that it is more likely than not that the carryforwards will expire unused between the 2018 and 2022 taxation years. Accordingly, the potential tax benefits of the loss carry-forwards are offset by a valuation allowance of the same amount.

## **10. RELATED PARTY TRANSACTIONS**

During the six month period ended June 30, 2002, the company paid \$33,469 in consulting fees to its president and C.E.O. and \$253,192 to other shareholders as consulting fees. The consulting fees of \$253,192 paid to other shareholders include cash payments of \$28,118 and 293,000 common shares valued at \$221,543.

## **11. SUBSEQUENT EVENTS**

On July 16, 2002, the company sold 300,000 shares at a price of US\$0.50 per share to a group of investors.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION**

The following discussion contains certain statements that may constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Any statements that refer to expectations, projections or other characterization of future events or circumstances, and especially those which include variations of the words "believes," "intends," "estimates," "anticipates," "expects," "plans," or similar words or variations thereof, are likely to be forward-looking statements, and as such, are likely to concern matters involving risk, uncertainty, unpredictability and other factors that could materially and adversely affect the outcome or results indicated by or inferred from the statements themselves. Therefore, the reader is advised that the following discussion should be considered in light of the discussion of risks and other factors contained in this Form 10QSB and in the Company's other filings with the Securities and Exchange Commission, and that no statements contained in the following discussion or in this Form 10QSB should be construed as a guarantee or assurance of future performance or future results.

### **Introduction**

During the second quarter 2001, the Company held a special shareholders' meeting which approved a name change from RCA Trading Co. d.b.a. American Waste Recovery, Inc. to Agronix, Inc. This name change complements the market/industry in which the Company does business. At that time, the number of authorized shares of common stock of the Company was voted to be increased from 10,000,000 to 25,000,000, and 10,000,000 shares of preferred stock were also authorized. In January 2002, in conjunction with a 2:1 forward split of its issued and outstanding common stock, the Company increased its authorized common stock from 25,000,000 to 50,000,000 shares.

### **Plan of Operations**

Agronix, Inc. is in the business of acquiring and developing technologies that convert organic wastes (animal manure, sewage sludge, bio-solids, produce processing waste, etc.) into agricultural products such as growth substrates, organic fertilizer, soil amendments and other value added agri-products. The Company is also engaged in the business of developing a technology that is used to recover chemical commodities from organic waste for a wide variety of industries such as agriculture, food, oil & gas, paper, clothing and

pharmaceuticals. The Company's Bio-Conversion Reactor System (BCR System) is now fully engineered and ready to enter the market. The Company is presently reviewing locations in North America and Europe to launch its first plant.

The Company remains in the development stage and does not have an established source of revenue sufficient to cover its operating costs. As of June 30, 2002, the Company had cash on hand of \$68,714, which is not sufficient to allow it to pay its operating expenses and carry out its plan of operation for the next twelve months. Therefore, it is the Company's intention to seek additional financing through private and public placements of its common stock and to seek commercial alliances and begin production where market opportunities exist.

Pursuant to an agreement entered into by the Company and BIOMAX Inc., a Canadian Company located in Quebec City (a developer of automated organic waste processing plants), the Company and Biomax have created a subsidiary ("Newco") to further develop and commercialize Biomax's "Robo II" technology. In exchange for its technology contribution, Biomax will receive an 80% interest in Newco, and for its cash contribution of \$224,000 CAD, intellectual property and proprietary soil science expertise Agronix has received exclusive licensing rights and a 20% equity interest. Agronix has the right to purchase a further 30% equity interest over the next 3 years for \$1,500,000 CAD.

The Company is presently working in the British Columbia, Canada, Fraser Valley, Abbotsford Region to locate its first 50,000-ton per year bioconversion plant. In the second quarter of the previous fiscal year, the Company located and contracted for the acquisition of 73-acre parcel of land for a purchase price of \$1,800,000 Cdn. The Company has negotiated a purchase option of CAD \$2,000 per month until April 30, 2002 and is currently negotiating new terms to the agreement. No payments have been made while these negotiations are taking place.

Agronix is actively involved in negotiations to joint venture Bio-Conversion Reactor System (BCR) plants in the following jurisdictions:

USA - Florida, New Jersey, New Hampshire

Europe - Geneva, Switzerland (Greater Regional District)

Canada - Abbotsford, British Columbia, Bromont, Quebec and Lethbridge, Alberta;

Additionally, the Company is presently negotiating with a large feed supplier with operations in the US and Canada to secure take-out contracts for Agronix's BCR plant organic fertilizers and growth substrates.

Furthermore, an organic product producer and retail distributor in Quebec, Canada is negotiating with Agronix for East Coast US distribution of the BCR organic fertilizers and growth substrates.

The Company estimates that it will require funding of approximately \$7,500,000 Cdn to complete construction of the proposed Abbotsford plant. The Company has entered into discussions with the Farm Credit Corporation (FCC) of Canada to provide 75% financing for the Abbotsford plant and for all subsequent plants to be constructed in Canada, but there is no assurance that this funding will be available.

100% financing is available through the FCC provided the company partners with members of the Agriculture community.

The Company has consolidated its research and development activities at Carleton University in Ottawa where its has committed to fund research being carried out by Carleton University for a period of 5 years. The Company will own any new technologies and/or intellectual property arising out of these research and development activities.

The Company's shares have been approved for trading on the OTC Bulletin Board under the symbol "AGNI."

## PART II

### ITEM 1. LEGAL PROCEEDINGS

None.

### ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the quarter ended June 30, 2002, the Company sold a total of 339,547 shares that were not registered under the Securities Act of 1933. A total of 197,667 of such shares were sold for cash. The total offering price for such shares was \$112,289, and the Company paid no underwriting discounts or commissions. The shares sold for cash were sold in reliance upon the safe harbor provisions of Regulation S, adopted under the Securities Act of 1933, for offers and sales that occur outside the United States. The shares were sold on various dates between May 31, 2002 and June 27, 2002, to persons who subscribed for purchase of such shares pursuant to the terms of an offering memorandum dated April 30, 2002.

A total of 141,880 of the unregistered shares sold during the quarter were issued to consultants and others as compensation for services. A total of 130,000 of such shares were issued at an assigned value of \$1.00 per share (Canadian), which is equivalent to approximately US \$0.65 per share. The remaining 11,880 shares were issued at an assigned value of \$0.50 per share (Canadian), which is equivalent to approximately US \$ 0.325 per share. A total of 100,000 of such share were issued in reliance upon exemptions from registration provided by Section 4(2) under the Securities Act of 1933. A total of 41,880 of such shares were issued in reliance upon the safe harbor provisions of Regulation S adopted under the Securities Act of 1933.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K.

- (a) Exhibits 99.1 and 99.2, CEO AND CFO CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 are filed herewith.
- (b) A current report on Form 8-K to announce changes in the registrant's certified public accountant was filed with the Securities and Exchange Commission on August 2, 2002.

**SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**AGRONIX, INC.**

(Formerly RCA Trading Co.)

(A Development Stage Company)

By: /S/ BRIAN HAUFF

Brian Hauff, President, Chief Executive Officer and Director

By:/S/ PETER J. BARNETT

Peter J. Barnett, Chairman of the Board

By:/S/ PETER DRUMMOND

Peter Drummond

By:/S/ HENRI DINEL

Henri Dinel, Director

Date: August 14, 2002

Exhibit 99.1

AGRONIX, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Agronix, Inc. (the “Company”) on Form 10-QSB for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Brian Hauff, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By: /S/ BRIAN HAUFF

Brian Hauff, President, Chief Executive Officer and Director

Date: August 14, 2002



Exhibit 99.2

AGRONIX, INC.

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Agronix, Inc. (the “Company”) on Form 10-QSB for the period ending June 30, 2002, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Peter Drummond, Chief Financial Officer and a Director, certify, pursuant to 18 U.S.C. ss. 1350, as adopted pursuant to ss. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

By:/S/ PETER DRUMMOND

Peter Drummond, Chief Financial Officer and a Director

Date: August 14, 2002